SUPERMARKET BUSINESS

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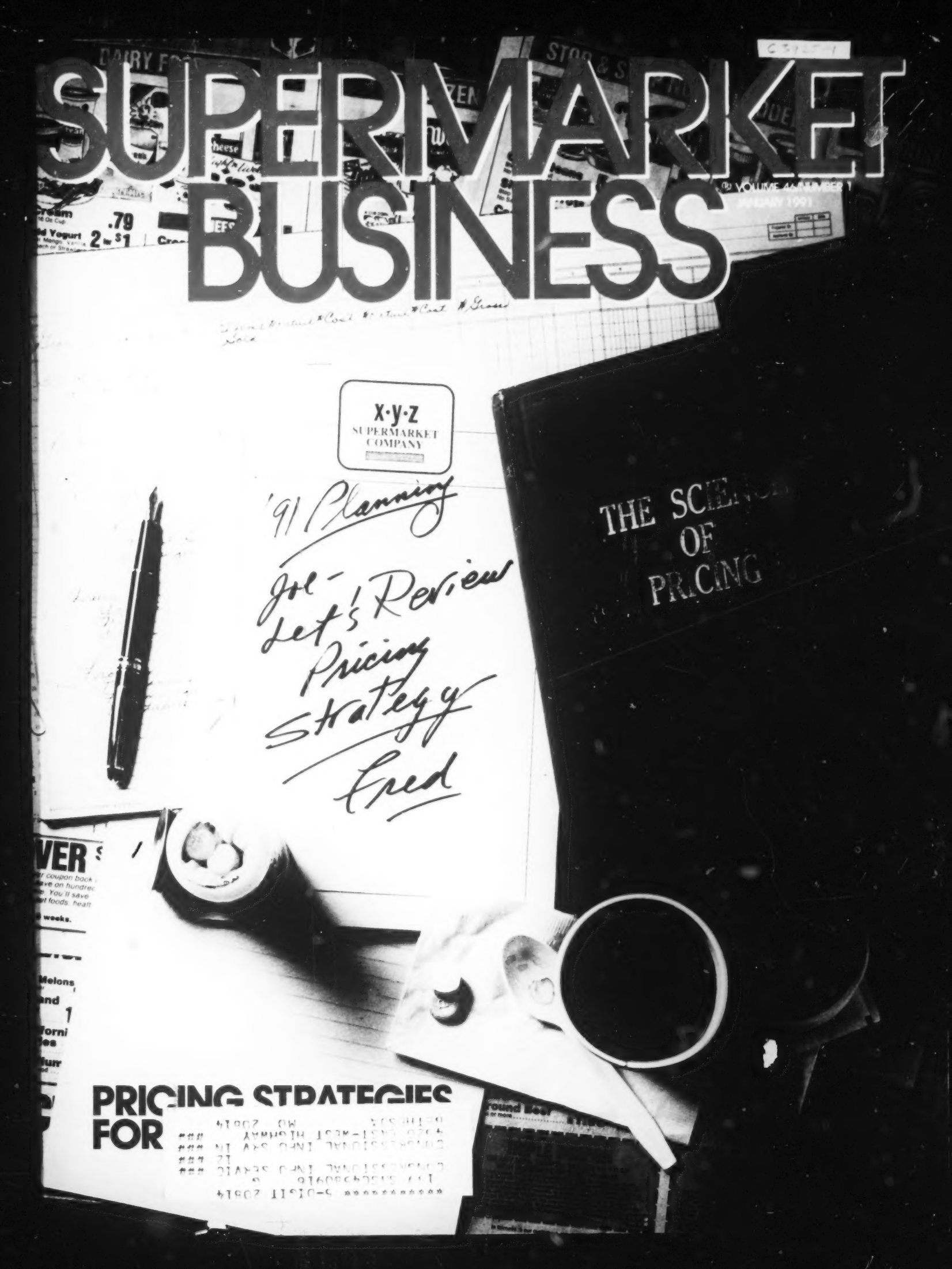

PRICING STRATEGIES FOR

SUPERMARKET BUSINESS

JANUARY 1991
VOLUME 46
NUMBER 1

FEATURES

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PRICING FOR THE '90s JACK COHEN 27

The experts tell us that we are heading for "interesting" times in the '90s—perhaps bad, perhaps good. Whatever, happens, it's time to take a hard look at pricing strategies, and to review the options.

SUPERSTORES: NOT THE ONLY 'SUPER' STORES MIKE DUFF 37

After a long rise, the average size of supermarkets may have peaked, at least temporarily. But some companies say they don't need more square feet to build solid sales.

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INSTORE BUSINESS

FAST START FOR AMBITIOUS NEW BAKERY DAVID LITWAK 45

Aimed at a kind of customer not previously targeted by the company, the large-scale, all-scratch bakery department of Randall's newest store hit the ground running, and hasn't slowed down since.

SHORT ON SPACE, YET A SPOTLIGHT ON SERVICE MIKE DUFF 55

By keeping core service departments strong, this smaller versions of Vons's giant Pavilion stores scores with upscale shoppers.

PREPARING FOOD ELAINE READER 62

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NONFOODS BUSINESS

GAINING SPACE BY CUSTOMIZING TO NEIGHBORHOOD NEEDS MIKE DUFF 69

By adapting its nonfoods operations to to the demands of local environments, Stater Bros. manages to keep a wide selection of general merchandise in a store of only moderate size. The company's goal is to give customers all of what they need and some of what they want.

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Cover Photo: David DiMicco

IT'S 1991, AND I STILL CAN'T WRITE ABOUT THE '90S

By Ken Partch, Editor-in-Chief

Ask me about the '80s; I have finally got the '80s pretty straight. I know, now, that if I had understood the '80s, then, as I do now, I would be a relatively rich man today. I could have sold my house for example, back in 1986, when it had reached peak value (on paper), and gone to live in a motel or a trailer, or with my relatives for several years. Then, I could have bought my house back at some reasonable number and pocketed the difference, or bought oil futures. The question is: Why didn't I do that?

Of course if I had sold my house in 1986, I'd probably be still holding onto the money (if I hadn't spent it) waiting for the market to bottom out. That's when you are supposed to buy, I understand. I don't know how you know when the market has bottomed out, but with the way they talk about it on the news I always assumed that some smart guys somewhere knew, and I would just go and ask them. I am sure that I could call up Donald Trump, the SEC or the *Wall Street Journal* and ask one of them. Somebody must know. Even if they tried to be sly about it, I could probably figure out that they were being sly.

Meanwhile, we've still got these '90s to think about. The real estate glut is beginning to show up again. We're somewhat overbuilt, I hear, in the shopping center area. That should help the supermarket business, at least in building and renting new stores. It won't help those who are in the shopping center business, though. The supermarkets who want to go back into the warehouse store business should soon find enough cheap real estate to do that, the way they did in the late '70s and early '80s.

The home center business seems to be in desperate straits in its efforts to outdo the department store business in its demonstrations on How to Really Fail at Retailing Without Half Trying. It doesn't seem possible to do so many things wrong without an overall Going Out of Business Plan.

It's like those camera stores and luggage stores along Fifth Avenue in New York that have those continuous "GOING OUT OF BUSINESS" signs across their store fronts. I always assumed that somewhere in lower Manhattan there was the headquarters of a chain of stores called, "GOING OUT OF BUSINESS STORES."

But getting back to the home center business, there must be some underlying reason for so much blatant incompetence in one area of retailing. There must be courses given at some of the business schools. I'll bet that one of the first instructions given in these courses is in how to find teenagers who can shout into an intercom while not uttering one single word that can be understood. Of course the second instruction must be in price mismarking and price not-marking to give the intercom people something to shout about. The courses in rudeness to customers are all oversubscribed of necessity.

I don't know how you know when the market has bottomed out, but I guess I could call up Donald Trump. He should know.

If I had the stomach for it, I would disguise myself in some way so that I could be present during employee candidate interviews. It can't be that the present hiring practices at home centers are accidental. I know, now, what keeps all the existing hardware stores, paint supply stores and even electrical fixture stores in business even when a home center opens across the street. It simply requires that many specialists to stay in business to supply what the home center can't.

There is one remarkable exception to these generalizations, and I sincerely hope that it is not a temporary or accidental condition. It is called Home Depot. In an industry such as this, the Home Depot is to the home center business and DIY business what a Parisian hypermarket is to a New York bodega.

They are, of course, enormous, in order to be able to stock the variety and depth of inventory. The prices are the lowest in any category I have tried. The people are polite and helpful. They are even apologetic when they can't help. They actually seem to like their jobs. Everything is scanned at the checkout or price-marked by department help. It is the Nordstrom's of home centers.

Will it last? Will it destroy its relationships with its employees and with its suppliers as many in the supermarket industry have? Will it begin to take its customer base for granted, and assume that people must shop at Home Depot, and that whatever they do for them is probably too much?

It's too early to say. And I haven't seen an annual report or a balance sheet. I don't know if the investment in this operation is real or illusory. It is a shame to say that in the U.S., these days, one almost looks for the signs of destructive profit-taking, and cynical looting of shareholders' interests, to say nothing of customers' interests and employees' interests.

I hope that Home Depot is a sign of the '90s, because there is much that any retailing operation could learn from the way they are presently operating. I have to be cautious, because the '80s have taught me not to believe in fairy tales. But there is always hope. ■

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HEALTH & BEAUTY AIDS: SAMI FOUR-WEEK FOOD STORE UNIT TRENDS VS. YEAR AGO

PRODUCT GROUP AND CATEGORY	% CHANGE VS. YEAR AGO 4 WEEKS ENDING 9/7/90	4 WEEKS ENDING 10/5/90	4 WEEKS ENDING 11/2/90
BABY NEEDS			
Baby Powders	- 3.7	- 12.6	- 9.8
Baby Oils, Creams & Lotions	- 6.7	- 9.4	- 9.1
Infant Clothes	- 14.3	- 12.0	- 15.7
Nursing Supplies	+ 3.6	+ 2.9	- 2.4
MISC. PERSONAL NEEDS			
Contraceptives	+ 2.0	+ 4.9	+ 8.0
Personal Lubricants	+ 7.5	+ 2.8	+ 4.3
Home Testing Kits	+ 10.2	+ 22.0	+ 21.2
Thermometers	+ 18.7	+ 9.4	- 2.8
DEODORANTS			
Sprays	- 11.2	- 8.7	- 12.8
Roll-Ons	- 10.2	- 3.1	- 12.3
Stick Deodorants & Pads	+ 10.9	+ 12.1	- 0.5
Creams	- 9.5	- 7.7	- 11.6
Deodorants & Talcum Powders	- 20.1	- 13.6	- 16.4
Feminine Hygiene Deodorants	+ 8.8	- 5.5	- 9.6
Foot Deodorants & Athlete's Foot Remedies	+ 3.7	+ 7.5	+ 4.2
Feminine Douches	- 5.4	- 0.9	- 2.4
FIRST AID			
Antiseptics	+ 1.1	+ 2.0	+ 3.3
First Aid Products	- 12.2	- 3.6	- 4.4
Elastic Goods & Dressings	+ 38.4	+ 33.5	+ 40.4
HAIR CARE NEEDS			
Shampoos	- 2.9	- 1.4	- 6.2
Hair Sprays	- 8.6	- 8.4	- 5.8
Hair Conditioning Rinses	+ 0.1	- 0.4	- 2.9
Hair Setting Needs	+ 2.0	+ 4.6	+ 1.8
Home Permanent Kits	- 15.1	- 12.8	- 14.6
Hair Coloring	+ 0.9	+ 4.0	- 4.4
Hair Dressing Needs	- 8.8	- 3.9	- 6.6
ORAL HYGIENE			
Toothpastes & Powders	+ 1.0	- 3.4	- 3.0
Mouthwashes	- 6.6	- 9.2	- 4.7
Breath Fresheners	- 0.8	- 4.9	- 0.8
Denture Cleaners	- 7.3	- 7.0	+ 2.6
Denture Adhesives	+ 2.6	- 3.5	- 6.7
Toothbrushes	- 3.5	+ 2.2	- 2.2
Dental Aids	- 5.9	+ 12.3	+ 6.1
PROPRIETARY REMEDIES			
Antacids	- 3.1	- 3.5	- 2.5
Internal Analgesics	- 6.1	- 7.2	- 5.2
External Analgesics	+ 12.5	+ 10.7	+ 10.1
Cold Remedies	- 1.3	- 7.0	- 2.5
Nasal Sprays/Drops/Inhalers	+ 0.1	- 8.5	- 4.0
Chest Rubs	- 7.1	- 10.8	+ 0.1
Cough Remedies	+ 3.0	- 4.8	- 4.8
Laxatives	- 3.9	- 2.7	- 3.7
Sleeping Aids	+ 7.2	+ 6.9	+ 6.1
Tranquilizers	- 9.2	- 13.0	- 15.4
Eye Care Products	- 3.9	- 5.0	- 5.6
Appetite Suppressants	- 26.5	- 18.4	- 13.7
Synthetic Vitamins	- 6.1	- 12.1	- 12.3
Natural Vitamins	+ 8.5	- 0.4	+ 1.1
Misc. Proprietary Remedies	- 4.8	- 2.3	+ 1.2
SHAVING NEEDS			
Shaving Creams	- 3.6	- 1.3	- 0.8
Pre-Shave Lotions	- 15.1	- 11.9	- 7.1
After-Shave Lotions	- 10.7	- 5.8	- 10.8
Razor Blades	- 1.8	+ 0.3	- 2.6
SKIN CARE AIDS			
Hand & Body Creams & Lotions	- 3.6	- 5.1	- 9.2
Facial Preparations	- 1.2	- 1.8	+ 3.8
Lip Care Products	- 5.9	- 4.4	+ 7.6
Suntan Lotions & Oils	+ 14.9	+ 31.8	+ 84.2
Cosmetic & Medicated Skin Aids	- 0.6	- 1.8	- 1.4
TOTAL ALL CATEGORIES			

HBA SALES DOLDRUMS PERSIST IN OCTOBER REPORTING PERIOD

Declines may be attributed to a lack of high-volume new products and a period of relative good health for consumers.

BY ALAN B. MILLER JR.

Once again the curtain has fallen on a 28-day sales period in which a majority of health and beauty aids categories recorded negative sales trends. As of the period ending November 2, 1990 volume in all five HBA categories combined fell more than 10.5 million units, or 3.8%, compared with volume during the same period a year ago. The decline rate exceeded both the 12-week loss of 3.3% and the 52-week decrease of 1.3%.

Historically, HBA sales hold steady during periods of adverse economic health. It is likely, therefore, that the present weakness is traceable not to the sluggish economy but rather to a dearth of high-volume new product launchings, as well as consumer good health during the early fall.

During the month of October, other product departments also experienced weak sales trends, although there were modest gains in tonnage for both frozen and refrigerated foods (ahead 0.6% and 0.02%, respectively). Shelf-stable food poundage declined 0.3%, a slight worsening of the 0.2% loss rate for the 12-week span.

Unit volume of dry grocery nonfood products fell 2.1%, also a higher loss rate than the 1.6% decline for the 12-week period. During the 52 weeks ending November 2, the tonnage trends among the food departments were positive, whereas the unit sales of both dry grocery nonfood and HBA were 1.3% lower than the comparable year-ago period levels.

On a dollar basis, four-week sales of HBA items were 0.1%, or less than $1 million, behind last year's pace. This loss rate was exceeded in the case of the dry grocery nonfood department, where dollars were 0.6% below the 1989 period. In the food departments the four-week dollars for dry grocery food, frozen and refrigerated foods gained 1.9%, 3.4% and 8.8%, respectively.

Only one of nine HBA product groups was able to muster a four-week gain in unit movement. Personal needs showed a gain of 7.6% as a result of increases of 8.0% for contraceptives, 4.3% for personal lubricants and 21.2% in the home testing kit category. The poorest four-week performance was recording among baby needs, where all four SAMI categories had negative trends.

The HBA weakness in food stores was also found in drugstores, where unit sales in all 57 categories fell 2.4% during the four weeks, 0.3% during the 12 weeks, and 2.1% for the full 52 weeks. Dollar volume in drugstores, however, was higher in all three time frames: +1.6% (four weeks), +3.3% (12 weeks) and +2.5% (52 weeks).

The best brand trend in the baby needs product group was turned in by Baby Magic lotion, although part of the increased sales are at the expense of Baby Magic Rich N Creamy. The only major new product activity has been the national rollout of Playtex Cherubs in the nursing supplies category.

There was only one deodorant category with a four-week increase. Volume for foot deodorants and athlete's foot remedies gained 4.2%, triggered in part by the national launch of Lotrimin by Schering-Plough. There were four deodorant categories with double-digit loss rates: deodorant and talcum powder (-16.4%), spray deodorants (-12.8%), roll-on deodorants (-12.3%) and cream deodorants (-11.6%).

There was even a small decline in the usually dependable stick deodorant

SAMI UPDATE

Continued from page 75

category. Unit volume for the four weeks in the deodorant product group was 1.5 million behind the same period in 1989.

Two of the three first aid categories trended positively. Antiseptics gained 3.3%, while elastic goods and dressings, aided by new items not tracked a year ago, were up 40.4%. There was a loss of 4.4% for first aid products, a slight improvement over the 12-week loss rate of 7.0%.

New shampoos not enough

Only one category of hair care needs showed increased unit sales. Hair setting needs moved ahead 1.8% as a result of strong performance of such brands as L'Oreal Studio, Suave, Salon Selectives, Finesse, L.A. Looks and Aussie. There were three new and national shampoo brands as compared with a year ago: Vidal Sassoon Ultra Care, Revlon International, and Fisher Price; but volume from these new brands was not enough to erase losses among other established brands.

The only new brand of hair conditioning rinse was Revlon International. The sharpest loss rate among hair care needs was registered by home permanent kits, where Toni Epic Wave appears to be on a phase-out course.

Two oral hygiene categories recorded four-week gains in unit volume. Denture Cleaners were 2.6% ahead, and dental aid volume increased 6.1%. There were loss rates in each of the three highest-volume oral hygiene categories: Toothpaste and powders (-3.0%), mouthwashes (-4.7%) and toothbrushes (-2.2%).

Only a third of the 15 categories of proprietary remedies were in the black. The best trend was a gain of 10.1% for external analgesics, helped by volume from new and national Eucalyptamint and the completion of national distribution for Flex-All 454. Also trending strongly upward were Aspercreme of Thompson Medical and Bristol-Myers's Mineral Ice. Sleeping aids gained 6.1%, and Sleepinal—also from Thompson Medical—was the growth brand in this category.

Gains of just over 1% were realized in the categories of natural vitamins, minerals, supplements and miscellaneous proprietary remedies. Among cough- and cold-related categories, the only plus sign was beside chest rubs (+0.1%). There were four-week declines of more than a million units for internal analgesics and nearly a million units of cough remedies. Aside from the low-volume category of proprietary tranquilizers, the highest rates of declines were 13.7% for appetite suppressants and 12.3% for synthetic vitamins.

Losses were suffered in all four categories of shaving needs. Razor blades declined 2.6% despite new volume from Gillette's Sensor and strong trends for its Daisey Ladies Plus and Trac II Plus.

Three of the five skin care aids categories enjoyed sales increases, although the 8.4% gain for suntan lotion and oil is relatively unimportant during the month of October. The growth brands in the facial preparations category (+3.8%) included Oil of Olay Lotion, St. Ives, Neutrogena and L'Oreal Planitude, which added markets of distribution.

There was a gain of 7.6% for lip care products. Volume among hand and body cream/lotions fell 9.2% in spite of good gains among such brands as Lubriderm, Curel, Suave, Keri, Neutrogena, and Eucerin. Sales among Cosmetic and medicated skin aids fell 1.4%, but there were favorable trends for Clearasil, Oxy-Clean and Oxy-10, and volume was contributed by new and national Oxy Night Watch.■

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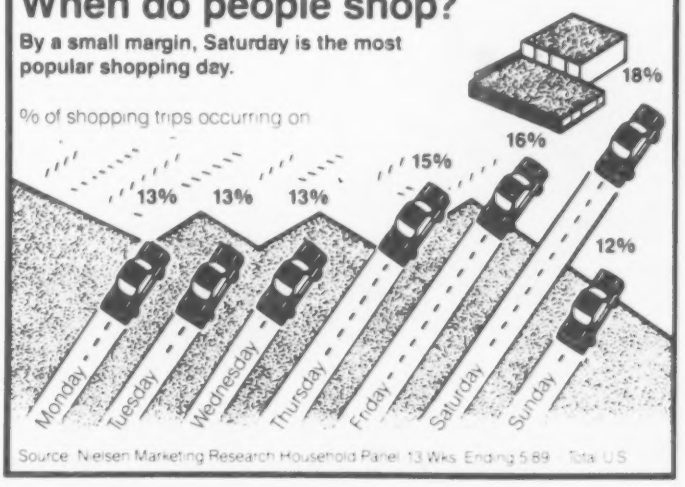
When do people shop?

By a small margin, Saturday is the most popular shopping day.



Source: Nielsen Marketing Research Household Panel, 13 Wks. Ending 5-89 - Total U.S.

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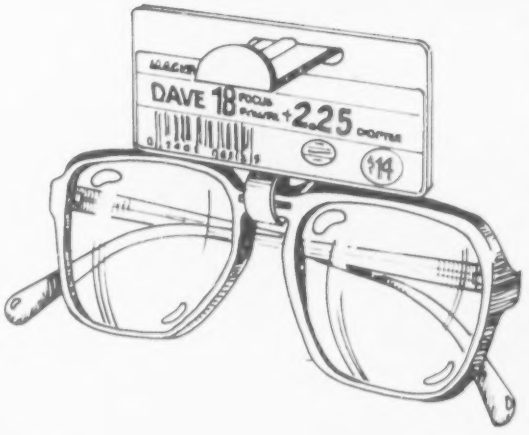

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